



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, UT 84145-0155

<http://www.blm.gov>



IN REPLY REFER TO:

3590

UTU-073071

(UT-923)

APR 20 2005

CERTIFIED MAIL--Return Receipt Requested

Mr. Dave Lewis
American Gilsonite Company
HC 73 Box 28
Vernal, Utah 84078

Re: Issues for Federal Gilsonite Lease UTU-073071

Dear Mr. Lewis:

During a routine inspection of your operation on April 6-7, 2005, the Bureau of Land Management (BLM) discovered that the Wagon Hound (WH) #12 west escape way, (fig.1) the WH #13 shaft (fig.2) exploration pits and the road connecting the shafts (fig.3) have not been closed in accordance with regulations at 43 CFR 3595.1(a) and (b). We also discovered that the Wagon Hound #11 shaft and escapeway is in need of repair and final reclamation (fig.4).

The regulations provide:

43 CFR 3595.1 (a) "The operator/lessee shall substantially fill in, fence, protect or close all surface openings, subsidence holes, surface excavations, or workings which are a hazard to people or animals. Such protective measures shall be maintained in a secure condition during the term of the lease, license, or permit. Before abandonment of operations, all openings, including water discharge points shall be closed to the satisfaction of the authorized officer.

(b) Reclamation or protection of surface areas no longer needed for operations will commence without delay. The authorized officer shall designate such areas where restoration or protective measures, or both shall be taken."

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DIV. OF OIL, GAS & MINING



Figure 1

Wagon Hound 12 East Escapeway 04/07/2005



Figure 2 Wagon Hound 13 shaft

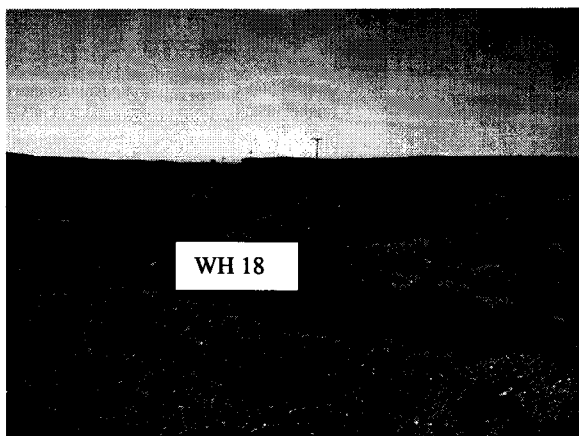


Figure 3 Wagon Hound Pits and Road 04/07/2005

Requirements to Correct the Issues:

To restore deficiencies, a closure plan must be submitted to our office within 30 days after receipt of this letter to close these features on the Wagon Hound vein on Federal Gilsonite Lease UTU-07031.

In order to meet the requirements of the regulations as cited, BLM will require your plan to include but not be limited to the following:

- A. Shaft closures

Shafts should be filled. If there is insufficient material to fill the shaft they should be capped. The caps must be sealed in non-weathered material. On the sides the caps must extend beyond the vein at least 2 feet or the width of the vein which ever is greater. The cap must extend at least 3 feet beyond the opening along the strike of the vein. (This can either be at the shaft opening or at the end of the cap). The caps must be constructed or reinforced concrete at least 2 feet thick. Steel supports are recommended. The top of the caps must be at least 2 feet below ground surface. The caps must be covered with a water proofing material prior to placing soil over the top of the cap. All material in the shafts should be removed such as vent pipes and upper ladders etc. The areas around the caps should be fenced to ensure that people and animals keep off until reclamation is established. BLM must approve the final.

B. Exploration pit closure.

All exploration pits must be closed and re-seeded with a seed mix and application rate authorized by the Bureau of Land Management. The seed must be certified weed free and any additives must be weed free also. Prior to seeding, the lessee shall roughen these areas with the back end of the bucket (pock marking) with deep indentations. This will enable water to gather and micro communities to start. This will also keep ATV vehicles off the site. Seeding should be done in the fall and more than one seeding should be anticipated. Noxious weed control should also be made part of the plan. BLM will not accept reclamation on the sites until vegetation reaches 80 percent of the species, cover and has been restored to the reclaimed areas. Undisturbed areas adjacent to the reclaimed areas will be used as a reference for the percent of reclamation success.

C. Road closure. These areas are not planned to be mined in the near future. The road running from shafts WH#11 to WH# 17 should be closed and reclaimed. The surface should be ripped, and then pock marked and seeded. There also should be noxious weed control on the reclamation. There should be substantial blockage of the road at Wagon Hound #12 mine site.

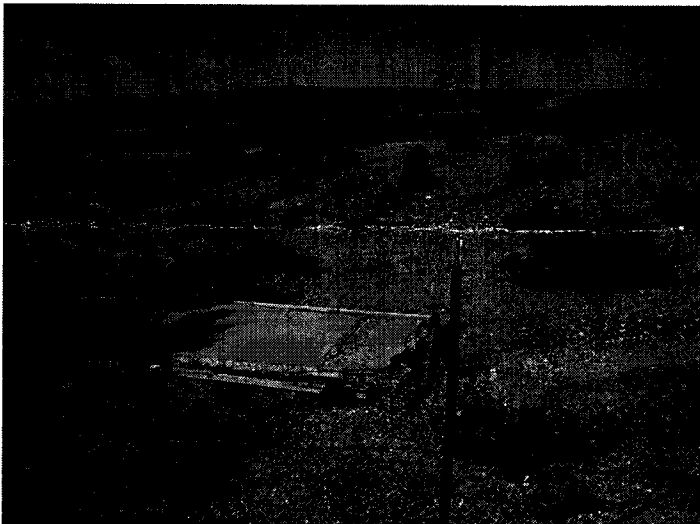


Figure 4 Wagon Hound 11 cap 04/07/2005

BLM is also concerned about the conditions of the caps on the Wagon Hound# 11 shaft and escapeway. They are in poor condition and there is material eroding from underneath the caps.

These should also be addressed as part of this plan to replace the caps and re-grade the surrounding areas along with re-seeding the areas.

Wagon Hound #12 Shaft area should be regraded and planted with seed to reclaim this area.

Failure to comply with these requirements:

Failure to comply with this letter will result in the issuance of a Notice of Non Compliance under 43 CFR 3598.4.

If you have any questions, please feel free to contact Mr. Stan Perkes (801-539-4036) of my staff.

Sincerely,

JAMES F KOHLER

James F. Kohler
Chief, Solids Branch Minerals

cc: Vernal Field Office
Paul Baker, Utah Division of Oil, Gas and Mining, P.O. Box 145801
Salt Lake City, Utah 84114-5801